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January 1984

MART 84

Business Ideas Today's Retailer Needs to Know

Premiere Issue: Home Computing Retailer

RETAILING 84

'83 Problems: How Retailers Solved Them

'84 Outlook; Coping with the Recovery

ELECTRONICS 84

Video Picture Looks Brighter

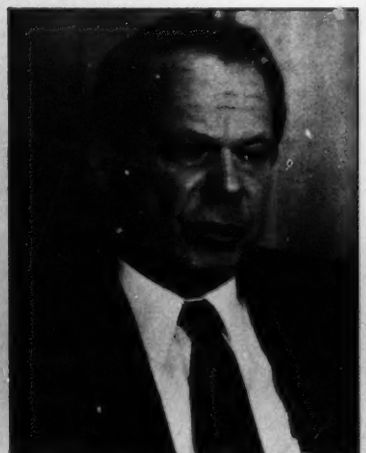
Telephone Sales Ring in the New Year

APPLIANCES 84

Cashing in on the Built-In Boom

Microwave-Oven Advertising Ideas

Spotlight:
Bloomingdale's Lester Gribetz



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MART 84

ESTABLISHED 1953

January 1984

Business Ideas Today's Retailer Needs to Know

Volume 30, Number 5

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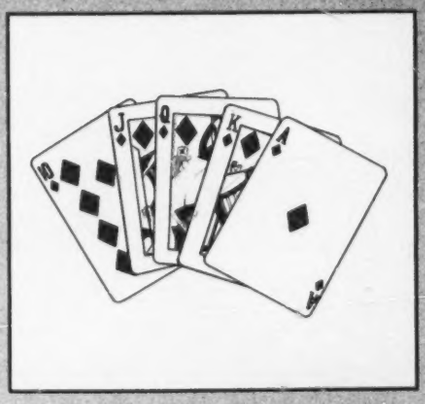
GORDON PUBLICATIONS, INC.
A Gordon Communications Company

Publishers of MART • TCR • Home Electronics Product News • Computer Dealer • Software Retailing

RETAILING '84



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Cover photograph by Rick Barrick

MART, including Electrical Dealer, is published monthly by Gordon Publications, Inc., 9 E. 38th St., New York, NY 10016, (212) 725-0530. Second Class postage paid at Dover, NJ 07801-0952. Subscription rates: $30 per year in the U.S., $42 all other countries, airmail $84. Single copy, U.S., $3; all other countries, $5. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48106. Copyright© 1984, Gordon Publications, Inc. ALL RIGHTS RESERVED, including reproductions of this magazine in whole or in part. MART® is the registered trademark of Gordon Publications, Inc. Postmaster: Send return address change to Mart, P.O. Box 1952, Dover, NJ 07801-0952.

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Gas-Grill Sales Heat Up in Second Quarter: MART Survey

In-season and out, gas grills stake out 15-percent sales gains

If you are not currently selling gas grills, now may be the time to start considering the category. For many retailers—including TV/appliance, hardware, discount, and department stores, as well as mass merchants—participating in MART's recent survey, the second quarter accounts for up to one-half of their stores' gas-grill sales activity.

For these survey respondents, an average of 47.1 percent of annual gas-grill sales was conducted in the second quarter. As summer ensued, another 28.8 percent of gas-grill sales was transacted.

Perhaps boosted by November home sales and Christmas promotions, fourth-quarter gas-grill sales represented 12.2 percent of the year's total for this group. As one TV/appliance dealer noted, "Business seems to pick up at Christmas time." In addition, dealers experienced 11.9 percent of their gas-grill sales during the first quarter of '83.

How do gas-grill sales fare for these retailers? According to one respondent; "Sales look much better this year." One hardward store dealer summed it up accurately by observing "good growth." "It's getting better," said a department store. Another hardware-store dealer had the "best year for gas-grills in three years."

These comments bear out the group's improved 1983 sales performance compared to 1982. For 17.9 percent of the respondents, '83 gas-grill sales volume jumped 20 to 29 percent over '82 levels. Although 21.4 percent of the group experienced gains of 30 percent or more, this percentage contrasts the same number of dealers who saw sales plummet.

Another one-tenth of the group recorded gains of 1 to 19 percent. On the whole, sales rose an average 15.7 percent over 1982.

At margins averaging 24.7 percent, gas grills represent a healthy source of added business in-season and out for these retailers. Fully 28.6 percent of the respondents netted margins of 25 to 29 percent. One quarter of the group made 20- to 24-percent margins; about 10.8 percent pegged margins at 30 to 34 percent.

Margins for 14.2 percent of the group exceeded 35 percent. This figure, however, compares with 14.3 percent who experienced margins below 20 percent.

For this group, the average price point on a gas grill runs around $187.46. Nearly one-third of the respondents do well charging $150 to $199.99, and 28.6 percent charge as much as $200 to 249.99. Ten percent even sell grills exceeding $250.

Units priced under $150 are also popular with 21.4 percent of the outlets polled.

However, one disgruntled TV/appliance dealer debates discounters' pricing policies: "The cheapest place to buy gas grills is at discounters. They retail them below distributor-wholesale."

Observed one satisfied hardware-store retailer, "Features on gas grills are selling, fortunately with no price increases."

But price hikes in charcoal are good news for some retailers. "As long as charcoal goes up in price, gas grills are going to sell better," exclaimed one zealous department-store retailer, reporting 25-percent sales gains.

This respondent, like 64.2 percent of his or her colleagues, does not sell electric barbeque grills.

However, a TV/appliance dealer who carries electric barbeques defended the line: "There's demand for electric grills similar to Charmglow's large electric with rotisserie."

But on the whole, grill accesssories are more the norm at these retail outlets. More than three-quarters of MART'S survey respondents carry grill accessories, and 40 percent of the respondents not presently selling accessories hope to add them this year.

Support for this aspect of the business is strengthened as accessory sales contribute to a store's margins and repeat traffic. "Accessories and replacement parts have added a lot to our business," proffered a respondent from Seymour, IN.

However, one TV/appliance dealer, who charges an average $200 for a gas grill and makes barely 10-percent margins, complained about accessories. "Accessories are priced too high," he griped.

Apparently one Dunkirk, NY, respondent, used to carry gas grills but dropped the category: "One time I sold Fiesta grills, but couldn't get parts for them." Before adding grills and accessories this retailer is "looking for a good line."

When it comes to choosing lines, most dealers queried by MART settle on an average of 2.5 brands. Nearly 40 percent offer two brands. And one-fifth of the sample carry three or more brands.

Nor is the overriding majority of respondents planning to add more brands this year—only 7.1 percent are slated to expand selections in 1984.

But if one Austin, TX, wholesaler had his druthers, the gas-grill assortment would be more varied. Pointing out that gas-grill sales should "grow and grow," he added, "the industry needs apartment-size grills, for just charcoal."

Charcoal and gas can also be a tricky, but worthwhile, proposition for a dealer within the confines of a store. "Gas grills can be messy during demos. But usually there's no return on product," explained a Colville, WA, cataloger experiencing 30-percent gains with gas grills.

So for dealers such as this Colville, WA, respondent, where there's smoke, there's not only fire, but also an important source of revenue heating up. □

What is your most popular price point for a gas grill?

Less than $150.00	21.4%
$150.00 to $199.99	32.2%
$200.00 to $249.99	28.6%
$250.00 or more	10.7%
No answer	7.1%

Average price point = $187.46

How have your sales of gas grills so far this year compared to last year?

Down by 30% or less	21.4%
No change	3.6%
Up by 1% to 19%	10.7%
Up by 20% to 29%	17.9%
Up by 30% or more	21.4%
No answer	25.0%

Average percent change in gas-grill sales = +15.7%

What is the average margin you make on a gas grill?

Less than 20%	14.3%
20% to 24%	25.0%
25% to 29%	28.6%
30% to 34%	10.8%
35% to 39%	7.1%
40% or more	7.1%
No answer	7.1%

Average margin made = + 24.7%

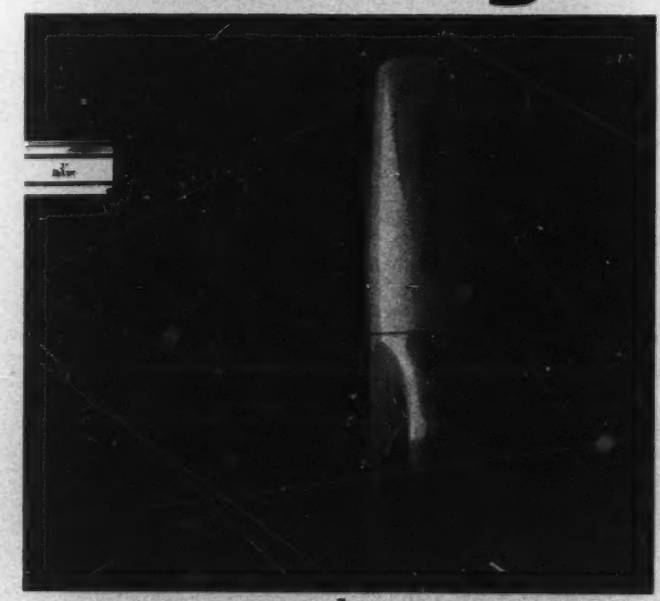
Do you also sell grill accessories?

Yes	78.6%
No	17.8%
No answer	3.6%

If not, do you plan to add accessories within the next year?

Yes	40.0%
No	20.0%
No answer	40.0%

Mitey handy.



The new Eureka Mini Mite's specially designed handle makes it easier to use than other cordless rechargeable vacs. It stores more securely in a sturdy wall charging unit, too.

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Blank-Tape Sales Outlook Is Rosy, Say Suppliers at ITA Update

At ITA seminar, video sales are seen growing fast in 1984 for both hardware and software

Where is the video market headed?

Nowhere but up, according to speakers at an "update" seminar sponsored late last year by the International Tape/Disc Assn. With penetration of video cassette recorders in U.S. homes seen hovering around the 10-percent mark by the close of 1983, video manufacturers speaking at the seminar predicted strong gains for sales of both video hardware and software in the coming year.

On the hardware side, Stan Hametz, general manager, video, for Panasonic, predicted sales of at least 5.2 to 5.3 million VCRs this year—"and I wouldn't be surprised if industry sales hit 5.5 million," he added. The Panasonic executive's forecast for 1983 VCR sales totals was from 4.1 to 4.2 million units; he characterized last year as "one of the best years the competitive video industry has ever had."

Hametz indicated some increase in sales of basic, non-programmable VCRs last year, with basic models representing about 59 percent of total sales, up from 56.5 percent in 1982. Portable VCRs were running at slightly under 18 percent of total sales as of mid-November, he added, vs. about 22 percent at the same period in 1982.

Looking ahead to 1984 VCR sales, Hametz predicted a greater shift to leader merchandise. "I see the $1,000 price point being pretty much dominated by portables," he added. He indicated a trend to smaller, lightweight units this year, as well.

Video cameras are also expected to do well in sales this year, according to Hametz, increasing in sales 25 percent to 500,000 units, up from the 400,000-unit total projected for 1983.

As for the anticipated entry of 8mm camera/recorders into the market this year, Hametz commented, "I don't think 8mm will come into the market in 1984 as a commercial product, or a threat to current merchandise. I think the 8mm recorder will coexist in the short range with half-inch formats, although it will be the portable of the future."

Hametz does anticipate some shakeouts of VCR suppliers this year, however: "With 32 or 33 brands now on the market, I can't help but expect some shakeouts. There's not enough room and profitability in the business to support companies that can't get from 5 to 8 percent market share."

On the retail side, Hametz sees the video-specialty store continuing as the main segment of the market, accounting for more than 20 percent of VCR sales. Looking ahead to this year's sales patterns, he added, "I see a greater shift to key accounts, with high-volume stores going with high-exposure brand names."

Speaking for the Beta VCR camp, Dennis Pence, Betamax marketing manager for Sony Consumer Products, said that last year "low prices for low-end product caused an enormous wave of customers—the floodgates opened!" Those floodgates brought industry sales totals to 3.9 million VCRs last year, Pence said; for this year, he predicted an industry volume of 5.5 million units.

And VCR prices will continue their downward trend this year, he indicated: Sony forecasts that 48 percent of 1984 VCR sales will be in the under-$500 category, compared to 34 percent in that price range last year.

"And we see a trend toward the mass market as prices drop," Pence added. "In the next five years VCR sales will go more and more to the mass merchandisers." Last year, he said, mass merchants got about 11 percent of VCR sales, with volume chains picking up another 21 percent.

How low will VCR prices go this year? "I don't see prices going below $400 or $500 in the near future, except in highly urbanized areas," Pence commented. Added Hametz, "In the first half of 1984 we should still have some price stability, because of some shortages. But if inventories start to peak, I can see a restoration of pricing chaos."

On the video-software side, blank-tape manufacturers are looking for strong gains this year as well. Ed Pessara, national video product manager for TDK Electronics, told the ITA seminar he anticipates sales of at least 90 million blank video cassettes this year, about 13 million of them to duplicators. In 1983, he estimated, about 65 million cassettes were sold.

Of that total, Pessara indicated, about 8 percent were high-grade cassettes, and he sees that share growing, "as more high-end VCRs are sold and people become more educated about high-grade tape."

As for the so-called "gray" market—cassettes manufactured abroad for sale overseas, but imported into the U.S. and sold at lower prices than domestic goods—Pessara said, "That situation was very bad a year ago, but it dried up in mid-1983 as prices stabilized at retail."

Bob Burnett, marketing operations manager for 3M's magnetic audio/video products division, predicted total blank-video-tape sales of 100 million units this year, up from about 73 million sold in 1983. The industry's problem, however, he added, is "the lack of acceptable profitability for both the marketplace and the suppliers."

With at least 31 video-tape brands currently on the market, Burnett said, "We have the recipe for a shakeout—in the last 12 to 18 months many manufacturers have tossed in the towel, and the next round of shakeouts might begin with the machine-brand tapes. Consumers no longer feel a need to seek out the tape brand that matches their VCR brand."

The growth of VCR penetration is bringing new customers into the tape market as well, Burnett said: "In 1984, 54 percent of all tape sold in the consumer market will be bought by customers who were not in the video market in 1983." Those new customers will tend to buy 11 video tapes in their first year of VCR ownership, he added.

Price continues to be the prime criterion by which customers are choosing their video tapes, according to Burnett, and, he expects, "price will be the issue on which the customer buys for at least the next few years." In addition, he sees that customer "moving from the specialty store to the mass merchandiser, which frequently uses tape as a loss leader."

Because of the growth of the tape business, the industry is seeing severe market fragmentation at retail, Burnett feels, which could lead to shakeouts there as well. "Seventy percent more retailers than last year are now competing for the video market, which puts even more pressure on prices," he declared. "Some of those retailers won't be around in 1985, and as they go out of the business they might be tempted into quick liquidations of their excess inventories, at fire-sale prices. A shakeout by competitive contraction is underway at retail—only then will profitability return to the industry." □

CATHY CICCOLELLA

Video-Cassette-Recorder Price Mix

	1982	1983	1984
Under $500	28%	34%	48%
$500 to $600	23%	22%	20%
$600 to $800	23%	21%	17%
$800 to $1,000	20%	18%	13%
Over $1,000	6%	5%	2%

Source: Sony Consumer Products

'I don't see VCR prices going below $400 or $500 in the near future, except in highly urbanized areas. In the first half of 1984 we should still have some price stability, because of some shortages.'

Audio Tape Will Grow, But Not as Fast as Video

This year's sales of audio tape will grow . . . but slowly, according to suppliers at the recent ITA update seminar.

This is very mature, saturated market which will experience slow growth, predicted Ed Pessara, national video product manager for TDK Electronics. He estimated a 3-percent increase for blank-cassette sales in 1984, mirroring a similar increase last year.

Of the total audio market, about 60 percent consists of normal-bias cassettes, according to Pessara, with high-bias tapes taking 39 percent of the total, while metal cassettes represent only 1 percent. ('I don't see metal's share growing,' Pessara commented. 'It's really at the mercy of the hardware.')

And what about audio-tape pricing? 'It should be stable in a stable, mature market, but that wasn't the case in the first half of 1983,' Pessara said. 'Dumping and gray goods saw the price eroding. But in the last six months of 1983 the gray goods dried up and we saw a slight increase in prices at retail—I predict pricing will remain stable.'

As the audio-tape industry is coming to terms with single-digit, steady growth, agreed Bob Burnett, marketing operations manager for 3M's magnetic audio/video products division. He pegged last year's industry sales growth at about 4 percent, bringing the market to 140 million audio cassettes with a wholesale value of $210 million.

'Sales are up, but profits are not,' he added.

At retail, the mass merchant is getting a larger share of the market, Burnett added, at the expense of the specialty dealer.